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BRITISH COLUMBIA

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Energy and Mines

SERVICE PLAN

2003/04 – 2005/06

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For more information on the British Columbia
Ministry of Energy and Mines, contact:
Deputy Minister's Office
PO BOX 9319
STN PROV GOVT
VICTORIA, BC
V8W 9N3

or visit our Web site at
www.gov.bc.ca/em

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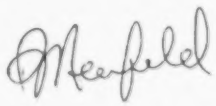
Accountability Statement

The 2003/04 – 2005/06 Ministry of Energy and Mines Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the basis on which the plan has been prepared. The plan was developed in the context of the government's *New Era* commitments which are to be addressed by May 17, 2005. All material fiscal assumptions and policy decisions as of January 28, 2003 have been considered in preparing the plan and I am accountable for achieving the specific objectives in the plan.



Honourable Richard Neufeld
Minister of Energy and Mines

February 4, 2003

BRITISH COLUMBIA

Ministry of Energy and Mines

British Columbia's energy and mining sectors will be key to restoring a healthy provincial economy. The Ministry of Energy and Mines will take an active role to stimulate investment in these sectors. Through sound fiscal management and efficient regulations, these sectors will be increasingly important. British Columbians rely on the wealth they will generate to support our vital public services like health care and education.

The Ministry of Energy and Mines 2003/04 – 2005/06 Service Plan describes how the ministry will continue to take aggressive action to streamline regulations and make doing business in BC easier. The full potential of our abundant natural resources have yet to be realized. Our new energy plan taps into our vast natural gas, oil, coal, coalbed methane, electricity and other mineral resources that will bring investment, jobs and prosperity for all British Columbians. This service plan describes actions that will be implemented to ensure British Columbians realize the benefits.

I am pleased to present the Ministry of Energy and Mines 2003/04 – 2005/06 Service Plan. This plan will guide and measure our success in developing a thriving and competitive economy that includes healthy energy and mining sectors in British Columbia.

Honourable Richard Neufeld
Minister

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Introduction

Last year, the energy and mining sectors contributed over $1.3 billion to the Province. The province's largely untapped natural resource potential will continue to attract worldwide attention. The contribution these sectors make will continue to grow and will help to maintain the province's position as one of the world's major exploration and production regions.

With the introduction of the province's new energy policy, *Energy for Our Future: A Plan for BC*, government has laid the foundation for increased investment in British Columbia. The potential of our offshore oil and gas resources and new unconventional resources like coal-bed methane will attract new business opportunities.

As it seeks to expand and develop its potential, British Columbia's industry will face an increasingly competitive global economy with fluctuating commodity prices and market conditions that will dictate opportunities and challenges.

Within the above context, this Service Plan describes the objectives, strategies and targets the ministry will measure itself against as it continues to act as a facilitator and catalyst for the expansion and growth of British Columbia's energy and mining sectors.

Strategic Context

Ministry Overview

Since 1874, the British Columbia Ministry of Energy and Mines has been the primary agency responsible for the long-term development of the province's energy and sub-surface mineral resources. Today, the ministry's primary responsibilities are to:

- Market and promote BC as a competitive location for resource industry investment;
- Enhance BC's position as a key player in global energy, mineral and coal markets;
- Create a competitive regulatory environment that makes it easier and cost-effective for companies to do business in BC;
- Encourage responsible development of BC's energy and mining resources;
- Ensure protection of the environment;
- Protect public and worker health and safety;
- Build relationships to facilitate First Nations' participation in the energy and mining sectors;
- Build relationships with stakeholders to build ties with communities;
- Undertake assessments to determine BC's resource potential;
- Develop policies to nurture new resource development opportunities; and,
- Manage the disposition of mineral and petroleum rights.

Highlights of Changes from the Previous Plan

This plan is the ministry's second three-year rolling plan, and like all plans is a living document that evolves as circumstances change. Two new objectives have been added to reflect the ministry's role in implementing government's energy policy, and offshore oil and gas. In addition, as directed by Treasury Board, the ministry has added an objective with respect to implementing a funding mechanism for new revenue generation proposals.

One objective that appeared in last year's plan has been dropped from this year's plan: stimulate and facilitate initial coal-bed methane production. This objective is redundant as coal-bed methane activity is included in existing objectives for oil and gas investment and production.

In addition, the ministry's core businesses have changed from those in the ministry's 2002/03–2004/05 Service Plan. The previous core businesses were:

New Ventures Branch — responsible for oil and gas development initiatives;

Energy and Minerals — responsible for the management of the province's oil and gas and geothermal resources, as well as coal, mineral and aggregate resources.

Resource Development — responsible for analysis, evaluation and policy development related to the province's energy and mining resources; and

Corporate Services — responsible for providing finance, human resources and payroll services, as well as supporting the Deputy Minister's office and providing communications services.

Under this plan, the New Ventures Branch and the Energy component of Energy and Minerals have been combined to create a new Resource Development core business responsible for development of oil, gas and geothermal initiatives, and the management of those resources. The Minerals component of the old Energy and Minerals core business has become a separate Mining core business responsible for coal, mineral and aggregate resources.

The previous Resource Development core business is renamed Policy and Legislation and continues to be responsible for analysis and policy development initiatives for energy and mining resources.

Corporate Services is renamed Executive and Support Services and continues to be responsible for providing support services, excluding communications services, which are now provided by the Public Affairs Bureau. A full description of each of the core businesses appears in Goals and Core Business Areas.

Two new core businesses have been added to reflect the fact that over 40% of ministry expenditures are largely outside of the ministry's control, and are made in accordance with statutory or contractual requirements. A British Columbia Utilities Commission (BCUC) core business exists through which the ministry provides a $1000 vote to BCUC. Also, a Contracts and Funding Arrangements core business has been created to reflect the ministry's legal obligations to make payments under a number of different agreements, including Columbia Basin Trust, Resource Revenue Sharing Agreements, and Vancouver Island Natural Gas Pipeline Agreement. A description of the payments made under these agreements appears in the Resource Summary.

Planning Context

The planning context is an assessment of external and internal forces that can have a significant impact on the ministry's ability to deliver results. It provides the ministry with specific information to prepare for future actions. This section first identifies some key opportunities and challenges that will affect the energy and mining sectors. Also, this section identifies internal government factors that will affect the ministry's operations, and external economic factors that impact industry, and so influence the attainment of ministry targets.

Key Opportunities

Coal-bed Methane: British Columbia has a huge coal-bed methane resource endowment of about 89 trillion cubic feet. To date, only small scale exploratory drilling has occurred. The degree to which this large potential energy resource is utilized will depend primarily on natural gas prices but will also hinge on government implementing an appropriate regulatory and competitive royalty regime. At this time, considerably more exploratory drilling and pilot production projects need to be implemented to determine which portions of the resource are economically recoverable.

Natural Gas and Oil: A growing North American demand for natural gas, combined with stagnant supply from Alberta and declining supply in the United States, will guarantee a continuing opportunity for growth in BC natural gas production. Additional gas supply potential has been identified from enhanced exploration for conventional gas and preliminary exploration of unconventional sources.

Offshore Oil and Gas: Although the extent of BC's offshore resources is uncertain, its potential value as a source of provincial revenue and as an injection to coastal communities and businesses makes it a highly attractive resource development opportunity. Estimates by the Earth and Ocean Sciences Department, University of Victoria, show that offshore development could have a total value of $500 billion over a 30-year period, and could bring a direct revenue stream of $1 billion annually.

Flow-Through Shares: This incentive mechanism continues to play a critical role for companies raising risk capital to invest in exploration of BC's mining resources. These shares allow companies to pass qualifying expenditures on to their investors as non-refundable federal and provincial tax credits until January 2004. With current market conditions, flow-through shares are a key element in attracting global investment to the province.

Mining Activity: The province's mining industry has recently experienced considerable difficulty as weak market prices and uncertainty with respect to land access and First Nation concerns have contributed to lower levels of exploration. However, a more competitive climate and greater land-use certainty has the potential to attract industry back to BC and capitalize on significant growth potential for the coal, industrial mineral and metals mining sectors.

Electricity: British Columbia is integrated with transmission systems in the US Pacific Northwest and Alberta. This provides opportunities for economic purchases and sales, thereby optimizing BC's system. Also, BC has a large undeveloped resource potential for electricity generation using natural gas and coal, and clean energy resources such as hydro, biomass, tidal and wind.

Clean Energy: The province already has a high level of existing expertise in many energy application areas including small and micro hydro, wind, solar light/heat, ocean waves/tides, biomass and geothermal. Many new clean energy technologies are also emerging such as fuel cells, bio-fuels, solar panels, turbines, nanotechnology and coal combustion technology.

Investment Promotion: British Columbia has some of the most abundant natural resource opportunities in the world, but these alone will not attract investment even in a strong economy. Information about the changes being made to ensure BC is more competitive needs to be aggressively marketed to the investment community.

Key Challenges

Natural Gas and Oil: Industry is facing a number of challenges, including concerns around regulatory impediments and delays for doing business in BC. Also, some of the more prospective unexplored potential gas supply areas are thought to be located in the Muskwa-Kechika area, a region which has world-class gas potential matched by world-class environmental values. Furthermore, proposed major pipeline developments from the Arctic Ocean will provide quantum jumps in North American gas supply when they come on stream. This means that BC has a limited window of opportunity to establish itself as a key link in the natural gas supply chain.

First Nations Issues: Recent court decisions have expanded the scope of the Crown's obligations to consult with First Nations regarding resource tenure dispositions, and to accommodate First Nation interests in relation to those dispositions. These decisions have exacerbated the uncertainty arising from unresolved Aboriginal land claims and the lack of treaty settlements, and have further fuelled investor concerns about long term prospects.

Labour Shortages: In certain occupations and geographic locations in the province, employers in the energy and mineral sectors are finding it difficult to attract skilled workers such as heavy-duty mechanics and high-pressure welders. In the oil and gas industry, an increase in the number of drilling rigs has not been met by an increase in skilled labour needed to operate the rigs. As the industry grows, including northern pipeline development, the province needs to ensure that an appropriately trained workforce is available.

Land Access and Security of Tenure: Challenges facing the government in concluding land-use planning processes create a high level of uncertainty inhibiting economic activity.

Consolidation in the Oil and Gas Industry: In 1998, 4 of the top 10 BC producers were American subsidiaries/affiliates and accounted for 23% of all production in that year. By 2001, 6 of the top 10 were American subsidiaries/affiliates and accounted for 35% of BC production. Although investors continue to be interested in exploration and development opportunities in Western Canada, BC must strive to ensure visibility in American corporate head-offices to sustain interest in provincial resources.

International Policy and Regulatory Influences: Energy legislation being contemplated by the United States may accelerate the construction of the Alaska Highway pipeline, and through a price support mechanism may also exert downward pressure on the value of existing BC gas supplies.

Climate Change/Kyoto: Environmental issues such as climate change and the Kyoto Protocol have the potential to significantly reshape the Canadian economy, particularly the energy sector. British Columbia faces the need to respond to the national and international movement toward using less carbon-intensive energy sources, and to identify and implement emission reduction actions that maximize economic benefits for the province while fostering long-term sustainability.

Internal Factors

Reduced Resources: In order to deliver core business functions with reduced resources, it will be necessary for the ministry to change how business is done. The ministry will pursue alternate service delivery options, including public-private partnerships and results based regulations.

Attracting and Retaining a Skilled Workforce: The ministry operates in areas where a highly-skilled technical workforce is essential to fulfill core functions. However, the ministry is facing the double challenges of losing skills and expertise as its work force retires, and difficulty in attracting young professionals to public service.

External Factors

Oil and Gas: A broad range of external factors that are not controlled by the ministry or the provincial government may affect petroleum industry investment in oil and gas exploration and development in BC. The majority of oil and gas investment in BC is undertaken by corporations that typically direct investment to resource opportunities throughout the world. British Columbia must therefore compete against other global resource opportunities, and operating environments, for scarce capital. Other external factors which may affect oil and gas investment in BC over the service plan period include: the strength and volatility of North American energy prices; the lack of capital liquidity in the energy sector as a result of damaged investor confidence; the influence of weather and economic growth on North American energy demand; geopolitical stability; the short-term availability of new sources of gas supply such as offshore LNG; and, the timing of the winter freeze and spring thaw which determines the length of the winter drilling season in northeast BC.

Mining: Mineral prices are set on competitive world markets in US dollars. Current and expected mineral prices and the relative value of the Canadian dollar directly determine the profitability of investments in new or existing mines, the available cash flow mining companies have to invest and the economic attractiveness of exploration. Those factors require that the Ministry continue to work with the industry to ensure that Provincial policies and taxes are competitive with those in other jurisdictions.

Federal tax policies and legislation are major factors in companies' ability to finance Canadian exploration and the expected returns and risks of investments in new or existing mines. The ministry will continue to work with federal officials and industry representatives

to ensure that those policies and legislation are consistent with Provincial and industry needs.

Risk Assessment

Risk assessment addresses both the upside and the downside risks the ministry might face over the next three years in attempting to meet its objectives. The following factors will influence the degree to which the ministry achieves its objectives:

- Commodity price volatility;
- World economic growth, especially the growth of the US economy;
- Economic fundamentals such as interest rates, stock market performance, exchange rates, etc;
- First Nations issues and land access restrictions; and
- Concerns regarding the implementation of the Kyoto protocol.

Vision, Mission and Core Values

Vision

The Ministry of Energy and Mines serves as a catalyst and facilitator for developing thriving, competitive, safe and environmentally responsible energy and mining resource sectors, and for increasing their contribution to the provincial economy for the benefit of all British Columbians.

Mission

The Ministry of Energy and Mines promotes BC's energy and mining investment opportunities, and fosters a competitive investment climate, which encourages responsible development of energy and mining resources, supports job creation, and ensures environmental protection and public and worker health and safety.

Core Values

The following values define the ministry's management style and govern the way it makes decisions. They guide ministry staff in interacting with each other, other government agencies, the private sector and other stakeholders.

Core Values	
Advocacy	The ministry promotes the economic development of BC's energy, mineral and coal resources to create prosperity for the benefit of British Columbians. The ministry represents the people of BC, as owners of the natural resources. The ministry represents the interests of the energy and mining sectors to broader stakeholder groups and supports those sectors in responsible development of provincial resources. The ministry informs the government, industry and citizens of the province of the benefits of responsible resource development.
Integrity	The ministry is committed to developing the province's energy and mining resources in a fair and responsible manner that protects health, safety and the environment.
Transparency	The ministry ensures its regulations, processes and decisions are applied in a fair and open manner, and that related and relevant information is adequately communicated to its stakeholders and the general public.
Responsiveness	The ministry strives to respond to the needs of its stakeholders and the public in a timely and effective manner.
Efficiency	The ministry strives to deliver its programs and strategies in the most efficient manner to enhance British Columbia's competitiveness as a resource investment location.
Accountability	The ministry is accountable to government and the public and strives to ensure that its actions deliver the results put forth in its Service Plan.
Professionalism	The ministry is committed to maintaining the highest standards of innovation, quality, teamwork, and developing an entrepreneurial attitude in the professional public service.

Goals and Core Business Areas

This section of the Service Plan identifies the goals that the ministry expects to achieve to fulfill its vision and mission. It also describes the ministry's core businesses, and links them to the ministry's objectives and strategies.

Goals of the Ministry of Energy and Mines

The ministry has three long-term goals for moving towards its vision of being: *"the catalyst and facilitator for developing thriving, competitive, safe and environmentally responsible energy and mining resource sectors, and for increasing their contribution to the provincial economy for the benefit of all British Columbians."*

To increase investment in energy and mining resource development in British Columbia: This goal focuses on implementing strategies that will make BC a more globally and regionally competitive investment location, and in so doing increase direct investment in the energy and mining sectors. Strategies will be designed to make investing in BC's resource sectors more efficient and certain.

To maintain high environmental, and health and safety standards: This goal focuses on ensuring resource exploration and production activities are carried out in accordance with environmental, and health and safety standards.

To be a responsive, adaptable and accountable organization: This goal focuses on developing an organizational structure enabling the ministry to respond to changing business environments, support staff in the delivery of their functions, and be accountable for performance.

Core Businesses of the Ministry of Energy and Mines

The ministry has the following core business areas:

Resource Development: Primary responsibilities include promoting growth and development in the oil and gas industry to maximize the return to the province from those resources. Other responsibilities include conducting geological and geo-chemical surveys to identify areas and geological environments favourable for mineral discoveries, disposes and administers petroleum, natural gas and geothermal resource rights and administers title to provincial mineral and coal resources. Resource Development also undertakes marketing, investor and community relations initiatives to promote the responsible development of BC's mining and energy resources.

Policy and Legislation: Provides analysis, evaluation, and policy development related to the province's energy and mining resources. Areas of responsibility include: oil and gas policy,

alternative energy development, climate change, electricity policy, mineral exploration and mine development policy, and First Nation's issues, including consultation and economic development, as well as participation in the oil and gas, and mineral resource sectors. Policy and Legislation is responsible for implementing the government's new energy policy.

Mining: Provides for the management of the provinces coal, mineral and aggregate resources. Primary responsibilities include the regulation, inspection and enforcement of provincial legislation, regulations and guidelines related to exploration, production, reclamation and long-term post closure activities in order to protect the safety and health of workers, protect the safety of the public, and protect and reclaim the land and watercourses affected by mining activity.

Executive and Support Services: This area supports the Minister's Office and Deputy Minister's Office, and through the Ministry of Competition, Science and Enterprise provides financial, personnel, information systems, records management, and information and privacy functions in support of the other core businesses. This core business is also responsible for the Offshore Oil and Gas unit.

Contracts and Funding Arrangements: Approximately 40% of the ministry's budget consists of fixed costs associated with the Columbia Basin Trust, Resource Revenue Sharing Agreements with First Nations, and the Vancouver Island Gas Pipeline Agreement. These expenditures are made in accordance with statutory agreements or contractual arrangements that are largely outside of the ministry's control and influence and consequently do not have performance targets associated with them.

British Columbia Utilities Commission: The ministry provides a $1,000 vote for the operation of British Columbia Utilities Commission (BCUC). BCUC is responsible for the regulation of energy utilities under its jurisdiction to ensure rates charged are fair, and that utilities provide safe and reliable services. Costs of the commission are fully recovered from regulated utilities and from other areas such as hearings and project applicants. BCUC prepares its own Service Plan, which is available at http://www.bcuc.com.

Objectives and Strategies

The following tables identify the ministry's goals, objectives and strategies.

Goal 1: To Increase Investment in Energy and Mining Resource Development in British Columbia

Core Business	Objective	Strategies
Resource Development	Double oil and gas production in BC by 2011.	Facilitate infrastructure development to improve access to oil and gas, and mining exploration and development opportunities. Develop improved knowledge and information base for petroleum geology to identify new energy development opportunities within BC. Identify, stimulate and facilitate development opportunities for under-explored and unconventional resources, including coal-bed methane.
Resource Development	Generate $20 billion of cumulative investment in the oil and gas sector by 2008.	Position BC as a fiscally competitive jurisdiction for resource development opportunities. Implement an external relations strategy to promote and market investment in BC's energy resources.
Mining, Resource Development, and Policy and Legislation	Increase mining exploration and development activity.	Complete revision of Mineral Exploration Code to streamline the regulatory process. Work with industry to identify and implement key components of the mining strategy to stimulate exploration and development. Provide advice regarding mineral access and development requirements in all land planning initiatives. Develop and deliver projects to increase opportunities for First Nations in subsurface and resource development. Enhance mineral title administration by moving toward a map selection system. Develop public-private partnerships to further the knowledge of mineral geoscience.

Core Business	Objective	Strategies
Policy and Legislation	Stimulate investor interest in BC's clean energy sectors. Implement provincial energy policy by 2004/05. Facilitate the development of BC's offshore oil and gas resources in a scientifically sound and environmentally sound manner.	Develop and implement a strategy to position BC as a centre of expertise for the development of certain key clean energy technologies. Complete revisions to pertinent legislation, including: *Utilities Commission Act, Columbia Basin Trust Act, BC Hydro and Power Authority Act,* and *Energy Efficiency Act*. Develop legislation to create a BC Hydro transmission Crown corporation. Complete further geological work to narrow the scope of potential offshore exploration areas. Establish mechanisms to include First Nations and coastal communities in offshore development plans. Develop an offshore oil and gas management regime that may include federal, provincial or joint regulations, legislation and environmental assessment.

Goal 2: To Maintain High Environmental and Health and Safety Standards

Core Business	Objective	Strategies
Mining	Maintain high environmental and health and safety standards.	Complete site inspections at all mines. Conduct health and safety inspections at each mine. Implement risk-based reclamation security guidelines.
	Ensure a high standard of environmental protection with respect to mine sites.	Complete site inspections and/or audits at all major mines to ensure compliance with permit conditions and appropriate environmental standards. Work with industry to establish closure requirements at mine sites that are ceasing operations to ensure practicable, timely and effective reclamation occurs.

Goal 3: To Be a Responsive, Adaptable and Accountable Organization

Core Business	Objective	Strategies
Executive and Support Services	Efficient human resource management consistent with best practices.	Evaluation of employees against known performance goals and measures.
Resource Development	Implement a performance reporting and long-term alternative funding mechanism for new revenue generating projects.	Develop and implement performance measures and a quarterly progress report for Treasury Board. Develop and implement funding model.
Policy and Legislation, Resource Development, Mining	Eliminate 33% of the ministry's regulations by June 2004.	Redirect resources to focus on deregulation for the oil and gas, and mining sectors. Implement measures and enact legislation to eliminate regulations.

Performance Measures and Targets

The following tables identify the ministry's performance targets for each objective for the next three fiscal years. These targets measure the ministry's degree of success in achieving its goals and objectives.

Goal 1: To Increase Investment in Energy and Mining Resource Development in British Columbia

Objective: Double oil and gas production in BC by 2011			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Achieve a 26% increase in oil and gas production by the end of 2005/06.	Achieve a 4% increase in oil and gas production over 2002/03 levels.	Achieve a 10% increase in oil and gas production over 2003/04 levels.	Achieve a 10% increase in oil and gas production over 2004/05 levels.
Achieve a 20% increase in oil and gas exploration (drilling) activity for the next 3 years.	Achieve a 20% increase in oil and gas exploration (drilling) activity over 2002/03 levels.	Achieve a 20% increase in oil and gas exploration (drilling) activity over 2003/04 levels.	Achieve a 20% increase in oil and gas exploration (drilling) activity over 2004/05 levels.

Objective: Generate $20 billion of cumulative investment in the oil and gas sector by 2008			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Increase investment in the oil and gas sector.	Generate $3.3 billion worth of investment in oil and gas.	Generate $3.3 billion worth of investment in oil and gas.	Generate $3.3 billion worth of investment in oil and gas.

Objective: Stimulate investor interest in B.C.'s clean energy sectors			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Increase in investment in BC's clean energy sector.	Achieve a 10% increase in investment in BC's clean energy sector over the established baseline.	Achieve an additional 10% increase in investment in BC's clean energy sector over the established baseline.	Achieve an additional 10% increase in investment in BC's clean energy sector over the established baseline.

Objective: Increase mining exploration and development activity			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Increase BC's share of national exploration expenditures from its current level of 8% to 12% by 2005/2006.	Increase BC's share of national exploration expenditures to 9%.	Increase BC's share of national exploration expenditures to 10%.	Increase BC's share of national exploration expenditures to 12%.
Realize $400 million in capital investment in new or existing mines in B.C. between 2002/03 to 2005/2006.*	Achieve $100 million worth of capital investment.	Achieve $100 million worth of capital investment.	Achieve $150 million worth of capital investment

* 2002/03 investment target was $50 million.

Objective: Implement provincial energy policy by 2004/05			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Implement provincial energy policy.	Implement legislation for a Heritage contract to keep electricity rates as low as possible. Implement changes to the *Utilities Commission Act* to improve regulatory oversight by BCUC. Implement legislation to create a separate Crown corporation for transmission.	Implement changes to the *Energy Efficiency Act* to promote conservation and energy efficiency. New rates promoting energy conservation and independent power producer access.	Monitor/review of legislation and regulations following implementation of energy policy, and monitor participation in broader electricity markets.

Objective: Facilitate the development of BC's offshore oil and gas resources in a scientifically sound and environmentally responsible manner			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Implement components of offshore work plan.	Develop positions for and commence negotiation of joint federal-provincial management regime, including regulatory framework, fiscal arrangements, and environmental assessment processes. Develop and implement provincial strategy for First Nations and coastal communities. Develop and implement social and scientific research program.	Complete any outstanding federal/ provincial negotiations. Establish an offshore oil and gas regulatory agency. Commence exploration operations through the issuance of permits and leases. Conclude arrangements with First Nations and coastal communities.	Implement monitoring processes for exploration. Implement monitoring processes for the offshore regulatory agency. Conclude any outstanding scientific and social research. Commence initial development activities.

Goal 2: To Maintain High Environmental and Health and Safety Standards.

Objective: Maintain high environmental and health and safety standards			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Maintain mining as the safest heavy industry in BC.	Accident frequency rate of 2.5 or less. (accidents requiring medical attention X 200,000 hours/ total number of hours worked).	Accident frequency rate of 2.5 or less.	Accident frequency rate of 2.5 or less.

Objective: Ensure a high standard of environmental protection with respect to mine sites			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Conduct site inspections and/or audits at all major mine sites.	Site inspections and/or audits at all major mines to ensure compliance with permit conditions and appropriate environmental standards. Ensure any remediation actions necessary are completed on a timely basis.	Site inspections and/or audits at all major mines to ensure compliance with permit conditions and appropriate environmental standards. Ensure any remediation actions necessary are completed on a timely basis.	Site inspections and/or audits at all major mines to ensure compliance with permit conditions and appropriate environmental standards. Ensure any remediation actions necessary are completed on a timely basis.

Goal 3: To Be a Responsive, Adaptable and Accountable Organization

Objective: Efficient human resource management consistent with best practices			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Introduce regular performance planning for all employees.	100% of employees have an annual performance plan and review each year by March 15.	100% of employees have an annual performance plan and review each year by March 15.	100% of employees have an annual performance plan and review each year by March 15.
Implement Ministry Human Resource Renewal Plan (HRRP).	100% of HRRP goals have implementation teams in place. Each team to have completed an implementation plan.	100% of HRRP goals have implementation plan underway.	100% of HRRP goals have implementation plan underway.

Objective: Develop a performance reporting and long-term alternative funding mechanism for new revenue generating projects			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Account for generating incremental revenue in each of the next three years.	Generate increased revenues of $27.2 million.	Generate increased revenues of $40.2 million.	Generate increased revenues of $65.3 million.

Objective: eliminate 33% of the ministry's regulations by June 2004			
Performance Measure	**Performance Target 2003-2004**	**Performance Target 2004-2005**	**Performance Target 2005-2006**
Eliminate 5,846 regulations from a base-line regulation count of 17,716.*	Eliminate 11% of regulations.	Eliminate remaining 11% of regulations by June 2004.	Not Applicable.

*11% of ministry regulations eliminated in 2002/03.

Consistency with Government's Strategic Plan

This section describes how the ministry is supporting the Government's Strategic Plan. Below is a table that lists the government's goals, targets and strategies relevant to the Ministry of Energy and Mines. The table also describes how the ministry is addressing those items, either explicitly in this Service Plan, or in collaboration with other ministries.

Government Strategic Plan 2002/03–2004/05	Energy and Mines
Government Goals	
Goal 1: A strong and vibrant provincial Economy.	Goal 1: To increase investment in energy and mineral resource development in BC.
Goal 2: Safe, healthy communities and sustainable environment.	Goal 2: To maintain high environmental and health and safety standards.
Government Target	
Increase in renewable energy production from the 1999 baseline of 10%.	The ministry has established targets to achieve a 10% annual increase in investment in BC's clean energy sector over the established baseline, over successive years covered by this Service Plan.
Government Strategies	
Establish one stop shopping for permitting/licensing.	In collaboration with the Ministry of Sustainable Resource Management, Ministry of Water, Land and Air Protection, and the Oil and Gas Commission the ministry took steps to streamline the permitting approvals process.
Implement policies to ensure private sector investment.	Dramatic tax cuts and regulatory changes have enhanced BC's competitiveness as a resource investment location. The 20% flow-through tax credit is specifically designed to increase mineral exploration and mining in BC, and complements the staged elimination of the corporate capital tax, and elimination of provincial sales tax on production machinery and equipment.

Government Strategic Plan 2002/03–2004/05	Energy and Mines
Develop and implement a long-term plan of economic renewal.	In 1991, the oil and gas sector contributed just over $200 million in revenue to the province. In 2001, this figure was approximately $1.3 billion. This sector has emerged to become the highest single source of natural resource revenue in the province and is poised for further growth. By facilitating growth of the industry in the northeast and by nurturing opportunities (such as CBM) outside the region, the oil and gas sector has the potential to significantly contribute to the economic renewal of the province.
All ministries will meet their budget and service plan targets.	The ministry is meeting the budget target for year 2002/03. The ministry is on track to achieve all major objectives set out in its 2002/03-2004/05 Service Plan, including the objectives for doubling oil and gas production; generating $20 billion of cumulative investment in oil and gas; facilitating coal-bed methane production; and maintaining BC's share of national exploration expenditures. A full analysis of the ministry's degree of success in attaining its objectives will be described in the ministry's Annual Report, scheduled for release in mid 2003.
Reform the province's Crown corporations so that they focus on public service efficiency and effective service delivery.	BC Hydro is continuing to develop lines of business for generation, transmission, and distribution. Existing legislation will be amended allowing BC Hydro to outsource cost-effective service delivery.
Introduce a cost saving shared service administrative model for government.	The ministry participates in the implementation and management of shared services and human resources. The shared services model has been implemented for information technology and payroll. Human resources and financial systems shared services implementation is planned. The ministry ensures staff are trained in all aspects of new shared service delivery models, and the new human resources agency.
Encourage innovation and an entrepreneurial attitude in the professional public service.	One of the ministry's core values is a commitment to maintain the highest standards of innovation, quality, teamwork, and develop an entrepreneurial attitude in the professional public service. The ministry's entrepreneurship is reflected in the establishment of a New Ventures Branch to take advantage of unrealized resource opportunities, as well as the development of strategies to leverage up to $132 million in incremental revenue over the next 3 years.

Government Strategic Plan 2002/03–2004/05	Energy and Mines
Rationalize the numerous land and resource inventory information systems to create a central source of integrated information that can be accessed by users both within and outside government.	The ministry is participating in a Ministry of Sustainable Resource Management (MSRM) initiative to create an Integrated Registry that will include all land and resource tenures. The ministry will also contribute data to an MSRM site that contains resource inventory information.
Develop a made in BC plan to address issues associated with greenhouse gases.	In collaboration with the Ministry of Water, Land and Air Protection, the ministry is participating in the development of a climate change strategy for BC. An initial series of proposed measures was presented to Cabinet in October 2002 and are now under review by the Climate Change Economic Impacts Panel. The Panel's input to government is expected by year-end 2002, coinciding with an expected ratification decision by Canada. A final strategy will be presented for Cabinet consideration in early 2003.
Implement a streamlined, science based, results oriented regulatory framework to protect human health and the environment.	The ministry is currently conducting a review of the Health, Safety and Reclamation Code for Mines in British Columbia. The objective is to, where possible, institute a results based system and reduce the regulatory burden. The review is scheduled for completion in early 2003.
Develop an energy policy that balances economic opportunities, conservation considerations and a safe secure energy supply for British Columbians.	The energy policy was released in November 2002, and will be implemented over the next two years, including amending existing legislation.
Determine the future direction for offshore oil.	The ministry has an action plan to advance BC's interests in offshore by: Following up on recommendations in the Scientific Panel report and Northern Caucus Offshore Oil and Gas report; completing further geological work to narrow the scope of potential exploration areas; establishing mechanisms to include First Nations and coastal communities in offshore development plans; developing an offshore oil and gas regulatory regime; and granting UNBC $2 million to further scientific knowledge related to offshore oil and gas.
Establish workable relationships with First Nation communities.	The ministry is negotiating economic measures to assist First Nations participation in the energy and mining sectors in BC.

Government Strategic Plan 2002/03–2004/05	Energy and Mines
Develop and implement community capacity building programs.	The ministry, with the Oil and Gas Commission, signed agreements with BC based Treaty 8 First Nations that include resources for building capacity in the communities.

Deregulation

The ministry has actively participated in all aspects of government's deregulation initiatives. The ministry's baseline regulation count as of June 2001 is 17,716 and the target for June 2004 is 11,870. To date it has eliminated over 1,590 requirements or about 9% of its baseline. It has furthermore enacted legislation that will permit the replacement of prescriptive by performance based regulations for the *Mines Act* and also reduce red tape by permitting map based claim-staking and with respect to oil and gas, strengthening the role of the Oil and Gas Commission as a single window regulatory agency.

Resource Summary

Resource Linkage — Budget and FTE Allocation

This section provides information on the ministry's budget and full-time equivalent staff (FTE) allocation, for each of the six core business areas.

Core Businesses	2002/03 Restated Estimates	2003/04 Estimates	2004/05 Plan	2005/06 Plan
Operating Expenses ($000)				
Resource Development	11,209	14,309	11,925	12,045
Policy and Legislation	2,897	3,717	2,600	2,600
Mining	6,123	4,526	3,796	3,796
Executive and Support Services	6,548	9,838	3,849	3,729
Contracts and Funding Arrangements	25,564	24,240	23,060	23,060
BC Utilities Commission	1	1	1	1
Total	**52,342**	**56,631**	**45,231**	**45,231**
Full-time Equivalents (FTE)				
Resource Development	90	109	86	86
Policy and Legislation	43	35	33	33
Mining	68	40	37	37
Executive and Support Services	17	24	14	14
Contracts and Funding Arrangements	0	0	0	0
BC Utilities Commission	26	26	26	26
Total	**244**	**234**	**196**	**196**
Ministry Capital Expenditures (CRF) ($000)				
Resource Development	355	260	176	164
Policy and Legislation	60	8	8	8
Mining	180	86	75	78
Executive and Support Services	80	96	74	73
Contracts and Funding Arrangements	0	0	0	0
BC Utilities Commission	10	210	12	12
Total	**685**	**660**	**345**	**335**

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Core Businesses	2002/03 Restated Estimates	2003/04 Estimates	2004/05 Plan	2005/06 Plan
Other Financing Transactions ($000)				
Columbia Basin Accord				
Receipts	0	0	0	0
Disbursements	50,000	50,000	50,000	50,000
Net Cash Source (Requirement)	(50,000)	(50,000)	(50,000)	(50,000)
Oil and Gas Commission Act				
Receipts	17,800	17,800	18,800	20,450
Disbursements	17,800	17,800	18,800	20,450
Net Cash Source (Requirement)	0	0	0	0
Total Receipts	**17,800**	**17,800**	**18,800**	**20,450**
Total Disbursements	**67,800**	**67,800**	**68,800**	**70,450**
Net Cash Source (Requirement)	**(50,000)**	**(50,000)**	**(50,000)**	**(50,000)**

Resource Development: This core business comprises four branches: New Ventures, External Relations, Titles, and Geological Survey Branch and has a budget of $14.3 million. The New Ventures Branch, responsible for facilitating oil and gas development, is the largest component of the Resource Development core business, with a budget of $7.8 million. This is comprised $2.8 million base budget, plus supplemental funding of $5 million in 2003/04. The additional funding, approved by Treasury Board in July 2002, is to enable the New Ventures Branch to act upon significant revenue generation and investment creation opportunities, over the next three fiscal years, with respect to 10 projects in the provincial energy and minerals industries. Expenditures over the next three years on the 10 projects (including road rehabilitation, coal-bed methane development, Core laboratory enhancements, and pre-tenure plan participation, amongst others) are expected to produce incremental revenues of $27.2 million, $40.2 million and $65.3 million respectively.

Other major components of Resource Development expenditures are: $2.8 million for the Titles Branch for title administration and land sales, including $0.5 million in 2003/04 for the development of the map selection system; and $2 million for Geological Survey Branch for administering the map place system and related databases, and developing targeted geo-science surveys using public-private partnerships.

Policy and Legislation: This core business is responsible for policy and legislation development for the following areas: Mineral, Oil and Gas, Alternative Energy, Aboriginal and Electricity and has a budget of $3.7 million in 2003/04. The largest single component of the budget is $1 million for implementing the government's new energy policy. In addition, other policy units will facilitate energy policy implementation by developing a variety of policy changes and legislative amendments. For example, Electricity Policy will complete revisions to the *Utilities Commission Act* and *BC Hydro and Power Authority Act* amongst others; and

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Oil and Gas Policy will develop amendments to facilitate retail natural gas deregulation. Other initiatives include developing projects to increase First Nations opportunities in resource development, implementing a strategy for clean energy investment in BC, and developing policies to increase mineral development.

Mining: The Mining division's core business is focused on three areas: Health and Safety, Environment, and Reclamation and Permitting. The division has a total budget of $4.5 million, which is equally divided between Health and Safety, and Environment, Reclamation and Permitting. The division is responsible for administering and regulating the mining industry through the full mining cycle — including exploration development, production, reclamation and closure. The Health and Safety budget is designed to allow for inspections and audits at mine sites in a frequency that is sufficient to ensure continuation of the excellent health and safety record of the industry. The program is designed to allow for more frequent inspections and audits at mines with higher accident rates and less frequent inspections and audits at mines that are performing well in these areas. The Environment, Reclamation and Permitting budget is designed to allow for site inspection at mines to ensure compliance with permit conditions and environmental standards. In addition, the budget allows for continuation of regional geological assistance and permitting of new mining operations.

Mining is also responsible administering the *Mines Act* to ensure responsible reclamation and closure of mine sites. In 2003/04, Mining will complete revisions to the Mineral Exploration Code and the Health, Safety Reclamation Code for Mines in BC to streamline the regulatory process, and work with industry to identify and implement key components of the mining strategy to stimulate exploration and development.

Executive and Support Services: This area supports the Minister's Office and Deputy Minister's Office, and through the Ministry of Competition, Science and Enterprise provides financial, personnel, information systems, records management, and information and privacy functions to the ministry. In addition, $5.6 million is provided for the Offshore Oil and Gas unit in 2003/04 for implementing the offshore work plan, including implementing a joint federal-provincial management regime for offshore development.

Contracts and Funding Arrangements: Approximately 40% of the ministry's budget consists of fixed costs associated with the Columbia Basin Trust, Resource Revenue Sharing Agreements with First Nations, and the Vancouver Island Natural Gas Pipeline Agreement. These expenditures are made in accordance with statutory agreements or contractual arrangements that are largely outside the ministry's control and influence and consequently do not have performance targets associated with them. For instance, in 2003/04, $2 million is paid in accordance with an agreement with the Columbia Basin Trust to assist it with expenditures. Resource Revenue Sharing payments of $2.5 million are made to First Nations to share revenue received from petroleum, natural gas and mineral extraction under a federal/provincial agreement and agreements with First Nations. Payments of $19.7 million for Vancouver Island Natural Gas Pipeline (VIGAS) are made to satisfy the requirements of the VIGAS agreement.

British Columbia Utilities Commission: The ministry provides a $1,000 vote for the operation of BCUC, which is responsible for the regulation of energy utilities under its jurisdiction to ensure rates charged are fair, and that utilities provide safe and reliable services. Costs of the commission are fully recovered from regulated utilities, and from other areas such as hearings and project applicants. BCUC expects to recover approximately $4.7 million in 2003/04.

Summary of Related Planning Processes

Information Resource Management Plan

Introduction

In order to effectively carry out its mandate, the Ministry of Energy and Mines is committed to the provision of expanded internet services. The use of corporate services and adherence to government standards are a focus to ensure implementation of these services is based on Best Practices principals.

Business Directions

The ministry is working towards improving the accessibility and timeliness of information to the public and to industry by the use of Internet technology. The Map Selection Project is in the initial stage of development to replace ground staking as the standard method of allocating all mining rights in the Province and will transfer all paper-based transactions to internet technology. Also, initiatives in line with the Government Electronic Initiatives, a program to maximize efficiency of services throughout government using IT, continue to be implemented to improve the efficiency of the ministry operations.

Current Environment

The current technology architecture, which is shared with the Ministry of Competition, Science and Enterprise, is based on a Windows 2000 platform using the MS Office 2000 suite for standard tools. New or upgraded systems are being configured with Windows and Office XP. This is consistent with current government standards.

Strategies

Proposed strategies include:

- Ensuring all ministry employees are computer program knowledgeable and use internet and intranet technology;
- Enhancing the availability of ministry information via internet and intranet technology;
- Reviewing business processes to ensure services provided are consistent with client's requirements, and utilizing electronic interfaces where appropriate;
- Continue to maintain servers and systems at government standard level wherever possible; and,
- Developing all new multi-user databases according to government standards and ministry requirements.

Progress towards Corporate Standards

The ministry has been highly successful in making progress towards meeting government standards, particularly in the areas of electronic mail, web site standards and desktop office software. All new multi-user databases are to be developed according to Government standards and ministry requirements.

Human Resources Management Plan

Below is a high level overview of the ministry's human resource management plan.

Goal	Objective	Strategy	Performance Measures, Outcomes, Indicators
Human Resource Management Services: Provide timely and relevant human resource management services to support the ministry's mandate and ensure consistency with government-wide standards.	Ensure human resource management is consistent with best practices and ensures the ministry has the human resources it needs to achieve its mandate.	Provide the full spectrum of human resource management services.	Provide same day responses to human resources related inquiries 100% of the time. Achieve a satisfaction rating among managers receiving human resource services of 90%.
Workforce Adjustment: Ensure redundant and surplus positions are identified and people affected are treated with fairness, consideration and due process.	Implement the workforce adjustment implications of budget reductions.	Identify redundant and surplus positions. Identify the succession planning implications due to early retirement and employee movement.	Complete the workforce adjustment process.
Performance Management: Provide clear expectations and goals for every employee.	Ensure every employee understands their ministry and branch plans and develops personal objectives in support of these.	Use a performance management system that monitors and documents employee performance and provides opportunities to develop or enhance employee performance.	100% of employees have an annual performance plan and review by March 15 of each year. 100% of branches complete learning plans by March 31 of each year.